



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 4, 2002 

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Niagara
Charter Number: 11051**

**900 Roosevelt Road
Niagara, WI 54151**

**Comptroller of the Currency
Iron Mountain Field Office
P.O. Box 666
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of The First National Bank of Niagara, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 4, 2002. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING This institution is rated Satisfactory.

- The bank originates a majority of loans inside its assessment area.
- The geographic distribution of loans reflects an adequate dispersion throughout the assessment area.
- The bank's loan-to-deposit ratio is reasonable.
- The bank has a strong distribution of loans to individuals of different income levels, including low- and moderate-income levels.

DESCRIPTION OF INSTITUTION

The First National Bank of Niagara (FNBN) is a \$56 million bank with the main office located in Niagara, Wisconsin in a middle-income block numbering area (BNA). The bank operates two full-service branches located in Spread Eagle and Aurora, Wisconsin, also in middle-income BNAs. The bank maintains no depository ATMs. No bank branches have opened or closed since the previous performance evaluation. The bank is an independently owned community bank.

The bank offers traditional community bank services with a net loan portfolio representing 75% of total assets as of September 30, 2002. The bank is primarily a residential real estate and consumer loan lender. The dollar value of the loan portfolio consists of 53% residential real estate loans, 25% commercial loans, and 22% consumer loans.

The bank offers Small Business Association (SBA) and Wisconsin Housing and Economic Development Authority (WHEDA) loans. FNBN is also involved with the Florence County Community Development Block Grant Program. The program provides grant dollars to LMI

borrowers that are first time home buyers or are acquiring a home site. As of September 2002, the bank has 3 loans totaling \$115 thousand with the Florence County program where fees were paid or down payment was derived from the program. Although the bank also offers SBA and WHEDA guaranteed loans they currently have no outstanding balances under these programs.

There are no financial or legal impediments that would hinder the bank's ability to help meet the credit needs of its assessment area. The previous CRA evaluation dated April 6, 1998, resulted in a satisfactory rating.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area includes a portion of northern Marinette County, Wisconsin, all of Florence County, Wisconsin, and all of Dickinson County, Michigan. The assessment area is comprised of four moderate-, nine middle-, and one upper-income block numbering area (BNA). The four moderate-income BNAs are located in Marinette County, as is one of the middle-income BNAs. Six middle- and the one upper-income BNA are located in Dickinson County. Two middle-income BNAs are located in Florence County. The assessment area consists of only whole BNAs. The assessment area is legal and appropriate and does not arbitrarily exclude low- or moderate-income geographies.

According to 1990 census data, the population in the bank's assessment area is 41,083, comprised of 11,631 families. Income levels for these families are as follows: 2,218 (19%) low-income families, 2,280 (20%) moderate-income families, 2,618 (22%) middle-income families, and 4,515 (39%) upper-income families. Of the 2,218 low-income families, 999 or 45% are below the poverty level. The HUD median family income for non-metropolitan areas in Wisconsin is as follows: \$50,800 in 2002, \$48,400 in 2001 and \$46,470 in 2000. Michigan data is as follows: \$44,800 in 2002, \$42,700 in 2001 and \$41,500 in 2000. These figures are used in the borrower income distribution test. The 1990 census median family income for non-metropolitan areas in Wisconsin is \$30,280 and Michigan is \$27,893; these figures are used in the geographic distribution test. The median housing value within the assessment area in Wisconsin is \$42,848, with 65% of the housing units being owner-occupied. The median housing value within the assessment area in Michigan is \$38,375, with 36% of the housing units being owner-occupied.

The local economy is considered stable. The area experienced some weakening after September 2001, but there was no significant deterioration. Manufacturing companies make up the major employers in the area. The unemployment rate in September 2002 for Wisconsin was 4.3% and unemployment was 4.8% in the Upper Peninsula of Michigan for the same month. These figures are not seasonally adjusted.

Competition in the area is generally strong. Branches of national and state banks, as well as savings and loans, credit unions, insurance and brokerage companies are located in and around the bank's assessment area.

In conducting this assessment of the bank's performance, we contacted the Director of Florence County's Commission on Aging and Housing. The contact stated that local financial institutions

are meeting the credit needs of the community and had only favorable comments concerning the bank's performance.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average quarterly loan-to-deposit ratio of 82% is reasonable considering the size of the bank, its financial condition, competition, and the assessment area's credit needs. We reviewed three similarly situated banks in the area with less than \$250 million in average assets. Of these banks, FNBN has the third greatest loan-to-deposit ratio. FNBN's loan-to-deposit ratio has increased from 79% at our last evaluation. In 1997, average loan-to-deposit ratios of competitor banks ranged from 65% to 79%. The loan-to-deposit ratio of competitor banks in the area is currently 79% to 100%.

Lending in Assessment Area

The bank's lending in its assessment area is good. FNBN originates a large majority of its loans inside its assessment area. This conclusion is based on an analysis of the original dollar amount and number of all loans originated by the bank between September 2000 and September 2002. A comparison of zip code and BNA boundaries indicated they are similar; therefore, the location of borrowers was determined using zip code as a proxy for the BNA address. A system report sorted by zip code and loan type was generated to complete the analysis. The table below illustrates the level of lending inside the bank's assessment area:

Penetration of Lending Inside the Bank's Assessment Area September 2000 – September 2002 Loan Originations		
	% Of Total Number of Loans Inside the Assessment Area	% Of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	97%	99%
Consumer Loans	87%	84%
Residential Real Estate Mortgages	94%	93%
Total	90%	92%

Lending to Borrowers and Households of Different Incomes

The bank does a good job of lending to borrowers of different income levels. The review of refinanced residential real estate loans revealed the following results:

Lending Distribution Based on Income Level of Refinanced Residential Real Estate Borrowers September 2000 – September 2002 Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Bank Lending Distribution by Dollar Value of Loans	Percentage of Families in each Income Category (Census information)
Low	16%	10%	19%
Moderate	52%	37%	20%
Middle	20%	32%	22%
Upper	12%	21%	39%
Totals	100%	100%	100%

As indicated by the above table, 68% of the number and 47% of the dollar value of loans were made to low- and moderate-income borrowers, who make up 39% of the assessment area's population. This represents a strong distribution of lending to borrowers of different income levels. The lower volume of loans to low-income borrowers is reasonable, considering 45% of the low-income borrowers in the assessment area are below the poverty level. These customers would not typically qualify for mortgage loan products.

The table below represents sampling of consumer loan customers in the bank's assessment area:

Lending Distribution Based on Household Income Level of Consumer Loan Borrowers September 2000 – September 2002 Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Bank Lending Distribution by Dollar Value of Loans	Percentage of Households in each Income Category (Census information)
Low	44%	34%	25%
Moderate	24%	29%	17%
Middle	24%	22%	18%
Upper	8%	15%	40%
Totals	100%	100%	100%

The table above shows 68% of the number and 63% of the dollar value of loans were made to low- and moderate-income borrowers, who make up 42% of the households in the assessment area. This represents a strong distribution of lending to borrowers and households of different income levels. The dollar volume of loans to low income borrowers is also strong with 34% of

the dollar value of loans made to low-income individuals who make up 25% of the areas households.

Geographic Distribution of Loans

The distribution of loans throughout the assessment area is satisfactory, including the moderate-income BNAs. The table below shows 20% of the number and 22% of the dollar amount of loans were made to borrowers located in moderate-income BNAs. This represents a reasonable distribution of lending within the assessment area when compared to the demographics of the area.

Geographic Distribution Based on Number and Dollar Amount of Loans Made in Assessment Area September 2000 - September 2002 Loan Originations						
	% of Number Originated in Moderate-income BNAs	% of Dollar Amount Originated in Moderate-income BNAs	% of Number Originated in Middle-Income BNAs	% of Dollar Amount Originated in Middle-Income BNAs	% of Number Originated in Upper-Income BNAs	% of Dollar Amount Originated in Upper-Income BNAs
Consumer Loans	24%	34%	76%	66%	0%	0%
Percentage of Households in the Assessment Area (Census information)	16%		75%		9%	
Refinanced First Real Estate Mortgages	16%	18%	80%	81%	4%	1%
Percentage of Owner-Occupied Housing in the Assessment Area (Census information)	12%		77%		1%	
Total Loans	20%	22%	78%	77%	2%	1%

Responses to Complaints

No complaints have been received by the bank or OCC relating to the bank's CRA performance since the previous evaluation.

Fair Lending Review

An analysis of 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of this information (or absence of information), the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in conjunction with the previous CRA

evaluation in 1998.